



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF WATER RIGHTS

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
Robert L. Morgan
State Engineer

1594 West North Temple, Suite 220
Box 146300
Salt Lake City, Utah 84114-6300
801-538-7240
801-538-7467 (Fax)

RECEIVED

MAR 28 1998

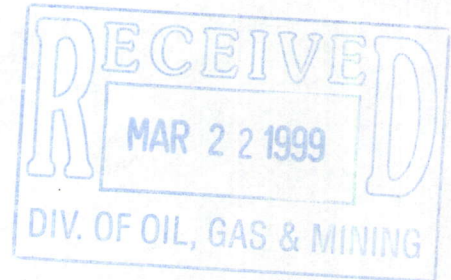
DEPT OF INTERIOR
BUR. OF LAND MGMT

April 27, 1998

US Bureau of Land Management
c/o Ms. Margaret Wyatt, Area Manager
2370 South 2300 West
Salt Lake City, UT 84119

RE: Clifton Mining Co.

Dear Ms. Wyatt:



Per your request, I have reviewed the plans for the Cactus Millsite near Gold Hill, Utah. You appear to be correct in determining that the milling operation will have excess water which will either have to be reused in the mill or wasted in some fashion. Evaporation could take care of the 2300 gph excess from May to October if the tailings were expanded to about 6 acres. If the evaporation rate from November to April is negligible, I am not sure what they would do with the +/- 30 acre-feet of excess produced during that time. Perhaps they can reuse more than the 4000 gph. While we do not desire for any of the excess process water be discharged by the mill or to taint any aquifer, the Division of Water Rights has no authority to regulate such activities.

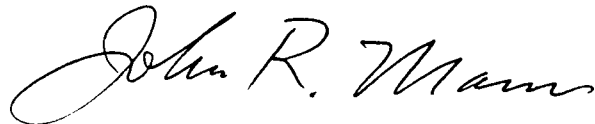
Our only regulatory authority would be related to water right issues involving the diversion and use of water, stream alteration issues, and dam safety issues. It appears that there are water rights in the vicinity for mining which may be owned by Clifton Mining but are currently in the names of other entities or individuals. Title to these water rights should be brought current to show that Clifton is the actual owner of these rights or new applications to appropriate should be filed. I have visited the site and in my opinion there are no streams that require the filing of a Stream Alteration Application for the activities proposed. As for dam safety issues, I presume that an embankment of some sort will be necessary to create the tailings pond. This should be permitted through our office.

0002

BLM / Clifton Mining
April 27, 1998
page -2-

A copy of this letter is being sent to the Clifton Mining Company in hopes that they will file any necessary water right or dam construction applications in the near future. I hope that this is somewhat helpful. Your concerns would probably be best handled by Utah Division of Oil, Gas and Mining.

Sincerely,

A handwritten signature in cursive script that reads "John R. Mann". The signature is written in dark ink and is positioned above the printed name and title.

John R. Mann, P.E.
Weber Regional Engineer

cc: William Moeller
Clifton Mining Company
70 West Canyon Crest Road, Suite D
Alpine, UT 84004

Richard Hall
Assistant State Engineer for Dam Safety